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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/816,387	04/01/2004	John A.C. Woodley	030559	9381

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EXAMINER	
POLLOCK, GREGORY A	

ART UNIT	PAPER NUMBER
3695	

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09/23/2010	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No.	Applicant(s)	
	10/816,387	WOODLEY, JOHN A.C.	
	Examiner	**Art Unit**	
	GREG POLLOCK	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *22 June 2010*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-8,10-19,22 and 23* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1–8, 10-19, 22, and 23* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☐ Notice of References Cited (PTO-892)

2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)

3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.

4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.

5) ☐ Notice of Informal Patent Application

6) ☐ Other: _____.

DETAILED ACTION

1. This action is responsive to claims filed 06/22/2010 and Applicant's request for reconsideration of application 10/816387 filed 06/22/2010.

The amendment contains original claims 11, 18, and 19.

The amendment contains previously presented claims 2, 3, 6-8, 10, and 13-16.

The amendment contains amended claims 1, 4, 5, 12, 17, 22, and 23.

Claims 9, 20, and 21 have been canceled.

As such, claims 1–8, 10-19, 22, and 23 have been examined with this office action.

Claim Rejections - 35 USC § 103

2. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

3. Claims 1–6, 8, 10, 12-19, 22, and 23 are rejected under 35 U.S.C. 103(a) as being unpatentable over Woodley (U.S. Application No. 20020178111) in view of Dines et al. (U.S. Patent No. 6,950,806) or alternatively Dines et al. (U.S. Patent No. 6,950,806) in view of Woodley (U.S. Application No. 20020178111).

As per claim 1, Woodley teaches **a computer-implemented method for determining whether an option grantor is required to pay a business entity under a contract associated with a look-back and entered into prior to an end of the look-back period and associated with one more facilities that convert a first commodity to a second commodity** (a method [Title] [¶75],

where the phrase "for determining whether an option grantor is required to pay a business entity under a contract associated with and entered into prior to a look-back period and associated with one more facilities that convert a first commodity to a second commodity" is a statement of intended use of the method and, as such, is given no patentable weight.), **the method comprising: at the end of the look-back period, calculating, by one or more computing devices that execute a series of software instructions stored on a computer readable medium, a strip value of one or more option strips , wherein each option strip comprises a plurality of options corresponding to the one or more facilities subject to the contract <u>wherein each of the plurality of options corresponds to one of a plurality of time segments that occur over the look-back period,</u>** (option strip cash flows are combined over a defined time period (a periodic time interval) [¶46] [¶50, lines 15-26] [¶53] [¶60] [¶65] [¶70] [claim 1]), **wherein calculating the strip value comprises:**

calculating an option value for each of the plurality of options wherein the value of each option of the plurality of options is calculated based on a difference between a first value and a second value that are evaluated at one of the plurality of time segments, ([¶43-44] [¶46-47], [¶50, lines 15-26] [¶63]), **wherein the prices of the first value is based on price data for the second commodity associated with the time segment, and wherein the second value is based on priced data for the first commodity associated with the time segment** ([¶48], [¶50, lines 1-4], [Figure 5], and [¶70]); **and calculating the strip value based on an aggregation of the calculated option values** (option strip cash flows are periodically <u>combined</u> over a defined time period (a periodic time interval) [¶9] [¶15-16] [¶19-20] [¶46] [¶50, lines 15-26] [¶53] [¶60] [¶65] [¶70] [claims 1, 15, 16]);

Woodley further teaches **comparing, by the one or more computer devices, the strip value to a predetermined value specified in the contract** (a payment arrangement specifies bands (upper and lower values) which determine when a payment is made [¶43-44] [¶56-57] [¶65-67] [Figure 5] [¶70-71] or defined level [¶57]); **and determining, by the one or more computer devices, a payment amount, wherein the payment amount is based on a difference between the predetermined value and the strip value** ([¶20] [¶22] [¶46] [¶50, lines 15-26] [¶55-57] [¶66] [¶69]) **paying the payment from the option grantor to the business entity when the strip value is less than the predetermined value, wherein no payment is owed <u>from</u> the option grantor <u>to</u> the business entity under the contract when the strip value is greater than the predetermined value** ([¶20] [¶22] [¶46] [¶50, lines 15-26] [¶55-57] [¶66] [¶69] [¶67] [claims 1, 15-18]).

However, Woodley implies ([¶71]), but does not state the use of a contract between the parties, uses bands and not one specific value in its agreement and does not teach that **based on the comparison, determining, by the one or**

more computer devices, if a payment is to be made by the option grantor based on whether the strip value is less than the predetermined value or that _no payment is owed to the option grantor by the business entity under the contract when the strip value is greater than the predetermined value.

Dines et al. teaches a method where individual contracts can be aggregated to reach more acceptable trading quantities and intervals, enabling participation of a derivative hedging products service provider and intermediate parties such as resellers and reseller services companies. Aggregation can be carried out manually or automatically, and configured to support anonymity of various parties in the transaction chain. Dines et al. teaches the use of a contract between the parties ([column 2, lines 15-17], the use one specific value in its agreement (minimum price [column 2, lines 46-61] and price floors [column 1, lines 15-25]), that **based on the comparison, determining, by the one or more computer devices, if a payment is to be made by the option grantor based on whether the strip value is less than the predetermined value** (minimum price [column 2, lines 46-61] and price floors [column 1, lines 15-25]).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have combined the teaching of Woodley with that of Dines et al. such that a contract premium would be paid by the SPV in order to obtain strip options from the Power distributor. One skilled in the art at the time of the inventions would be motivated to use strip options because it provides the SPV with greater price certainty.

As per claim 2, the rejection of claim 1 has been addressed.
Woodley does not teach a method **wherein the strip value is equal to the sum of all the option values.**

Dines et al. teaches a method **wherein the strip value is equal to the sum of all the option values** (contracts are aggregated [column 5, lines 44-45]).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have combined the teaching of Woodley with that of Dines et al. such that the aggregate value of one strip of options corresponding to one facility is equal to the sum of the values of each option in the strip for the facility. One skilled in the art at the time of the inventions would be motivated to aggregate the individual strips so that they can be delivered in more economically practical quantities and at acceptable frequencies.

As per claim 3, the rejection of claim 1 has been addressed.
Woodley does not teach a method **wherein the strip value is related to the sum of all the option.**

Dines et al. teaches a method **wherein the strip value is related to the sum of all the option** ([column 4, lines 36-46]. Here the examiner notes that the phrase "related to" is given its broadest interpretation of any relationship between claim elements.).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have combined the teaching of Woodley with that of Dines et al. such that the aggregate value of one strip of options corresponding to one facility is equal to the sum of the values of each option in the strip for the facility. One skilled in the art at the time of the inventions would be motivated to aggregate values since in practice, the option grantor, may find it difficult to attain individual options trades. The option grantor would have to take the time and effort to sell a portion of the commodity every day. This is generally not practical due to time demands and the fact that trading increments in organized markets are unlikely to exactly match the necessary quantity per averaging period. The typical size range for a seller may not support the necessary daily activity and trading increments.

As per claim 4, the rejection of claim 1 has been addressed.
Woodley implies a method **wherein the price data <u>for the second commodity associated with the time segment</u> is based on an index price associated with the second commodity <u>for the time segment</u> and <u>wherein the price</u> data for the first <u>commodity associated with the time</u> segment is based an index price associated with the first commodity <u>for the time segment</u>.** (index-based price [¶5] benchmarks [¶55-56]).

As per claim 5, the rejection of claim 1 has been addressed.
Woodley does not teach a method **wherein <u>paying the payment amount comprises paying the payment</u> with an electronic payment transfer corresponding to the payment amount.**

Dines et al. teaches a method **wherein <u>paying the payment comprises paying the payment</u> with an electronic payment transfer corresponding to the payment amount** (transactions transfers [Abstract, lines 1-3] using a computer [column 5, lines 38-40] and [column 8, lines 12-19]).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have combined the teaching of Woodley with that of Dines et al. such that a computing device is used for computing for electronically transferring the payment from an account of the option grantor to an account of the business entity when it is determined that the option grantor is required to pay the business entity. One skilled in the art at the time of the inventions would be motivated to use a computing device to automate the process making the transaction faster and more reliable.

As per claim 6, the rejection of claim 1 has been addressed.
Woodley teaches a method **wherein each option value is set to zero when the difference between the first value and the second value is non-positive** (In option terminology, the value is equal to the higher of zero or any net positive spread between prevailing electricity prices and converted gas prices (i.e. the cost of converting gas to electricity) after subtracting the strike price [¶46]).

As per claim 7, the rejection of claim 6 has been addressed.
Woodley and Dines et al. do not specifically teach **wherein the look-back period is a time period selected from the group consisting of six months and one year.**

The use of any agreed upon look-back period is old and well known in the art.

It would have been obvious to one skilled in the art at the time of the invention to have a six month or one year look-back period in the combined invention of Woodley and Dines et al. to achieve the claimed invention. Both Woodley [¶53] and Dines et al. [column 4, lines 30-33] indicated that the look-back period is subject to agreement between the involved parties. One would be motivated to use a six month or one year look-back period since this period of time prevents the inefficiencies of continuous contract updates, which at the same time occurring frequently enough to obtain the inventions objectives.

As per MPEP § 2144.03(C), with respect to an Examiner's use of Official Notice:

To adequately traverse such a finding, an applicant must specifically point out the supposed errors in the examiner's action, which would include stating why the noticed fact is not considered to be common knowledge or well-known in the art. See 37 CFR 1.111 (b).

The same section continues:

If applicant does not traverse the examiner's assertion of official notice or applicant's traverse is not adequate, the examiner should clearly indicate in the next Office action that the common knowledge or well-known in the art statement is taken to be admitted prior art because applicant either failed to traverse the examiner's assertion of official notice or that the traverse was inadequate. If the traverse was inadequate, the examiner should include an explanation as to why it was inadequate.

Applicant has not challenged or traversed the examiner's use of official notice in the previous office action, and repeated herein. As such, the examiner now considers as admitted prior art, that “the use of any agreed upon look-back period” is considered to be common knowledge or well-known in the art.

As per claim 8, the rejection of claim 1 has been addressed.

Woodley teaches a method **further comprising the entering into by business entity a second contract with the option grantor covering a successive look-back period** (new hedging transactions [¶51] are periodical [44] [¶60] [¶70]).

There is no functional difference between the first and second contract. Therefore, all of the remaining limits of Claim 8 have been previously addressed in Claim 1, and is therefore rejected using the same prior art and rationale.

As per claim 10, the rejection of claim 1 has been addressed.
Woodley does not teach a method **further comprising receiving, by the option grantor, a premium in exchange for entering into the contract.**

Dines et al. teaches a method **further comprising receiving, by the option grantor, a premium in exchange for entering into the contract** ([column 2, lines 46-61] and [column 4, lines 10-19]).

It would have been obvious to one of ordinary skill in the art at the time of the invention to have combined the teaching of Woodley with that of Dines et al. such that the business entity pays the premium to the option grantor. One skilled in the art at the time of the inventions would be motivated to combine the teachings since the premium provides some degree of fixed compensation against excessive drops in average price. Thus, the premium is earned in exchange for placing a limit on each of the observation point prices.

As per claim 11, the rejection of claim 10 has been addressed.
Woodley and Dines et al. do not teach **further comprising a third-party guarantor guarantying payment obligations of the option grantor under the contract.**

The use of a third-party guarantor guarantying payment obligations of the option grantor under the contract is old and well known in the art (see Trenk et al. (PGPub No. 2002009361) [Figures 3 and 4, element 26, "Trust")

It would have been obvious to one skilled in the art at the time of the invention to have used a trust (third-party guarantor) in the combined invention of Woodley and Dines et al. to achieve the claimed invention. One would be motivated to use a trust (third-party guarantor) to reduce the risk that the option grantor under contract, thus encouraging more participation from business entities contemplating such a business arrangement.

As per MPEP § 2144.03(C), with respect to an Examiner's use of Official Notice:

To adequately traverse such a finding, an applicant must specifically point out the

supposed errors in the examiner's action, which would include stating why the noticed fact is not considered to be common knowledge or well-known in the art. See 37 CFR 1.111 (b).

The same section continues:

If applicant does not traverse the examiner's assertion of official notice or applicant's traverse is not adequate, the examiner should clearly indicate in the next Office action that the common knowledge or well-known in the art statement is taken to be admitted prior art because applicant either failed to traverse the examiner's assertion of official notice or that the traverse was inadequate. If the traverse was inadequate, the examiner should include an explanation as to why it was inadequate.

Applicant has not challenged or traversed the examiner's use of official notice in the previous office action, and repeated herein. As such, the examiner now considers as admitted prior art, that "the use of a third-party guarantor guarantying payment obligations of the option grantor under the contract" is considered to be common knowledge or well-known in the art.

As per claim 12, All of the limits of Claim 12 have been previously addressed in Claim 1, and is therefore rejected using the same prior art and rationale.

As per claim 13, the rejection of claim 12 has been addressed.
All of the limits of Claim 13 have been previously addressed in Claim 2, and is therefore rejected using the same prior art and rationale.

As per claim 14, the rejection of claim 12 has been addressed.
All of the limits of Claim 14 have been previously addressed in Claim 3, and is therefore rejected using the same prior art and rationale.

As per claim 15, the rejection of claim 12 has been addressed.
The phrase "for computing the payment amount when it is determined that the option grantor is required to pay the business entity" is a statement of the intended use of the computing device and, as such, is given no patentable weight. Therefore, all of the limits of Claim 15 have been previously addressed in Claim 1, and is therefore rejected using the same prior art and rationale.

As per claim 16, the rejection of claim 12 has been addressed.
The phrase "for computing the payment amount when it is determined that the option grantor is required to pay the business entity" is a statement of the intended use of the computing device and, as such, is given no patentable weight. Therefore, all of the limits of Claim 16 have been previously addressed in Claim 6, and is therefore rejected using the same prior art and rationale.

As per claims 17-19 and 23, Woodley teaches **a computer readable medium having stored thereon instructions** ([¶75])

All of the remaining limits of claims 17-19 and 23have been previously addressed in claims 1, 4, and 5, and is therefore rejected using the same prior art and rationale.

However, the examiner notes that even though prior art has been applied to the claim limits, the only patentable limit consist of **A computer readable medium having stored thereon.** The remainder of the claim limits state that the intended use of the computer readable medium "when executed by a computing device". As such, the intended use of the computer readable medium is given no patentable weight.

As per claim 22, the rejection of claim 12 has been addressed.
All of the remaining limits of Claim 22 have been previously addressed in Claim 4 and is therefore rejected using the same prior art and rationale.

Response to Arguments

4. Applicant's arguments with regards to claims 1–8, 10-19, 22, and 23, filed 06/22/2010 have been fully considered but they are not persuasive.

5. APPLICANT REMARKS CONCERNING Claim Rejections - 35 USC § 103 (page 10): The applicant contends that independent claim 1 recites the step of "comparing ... the strip value to a predetermined value specified in the contract." In the prior art Woodley reference, unlike claim 1, determination of whether a payment is made is not based on the difference between a strip value and a predetermined value specified in a contract. Rather, in Woodley, the financial institution pays the client when tracking portfolio cash flows are less than benchmark portfolio cash flows. See Woodley at ¶ [0055]. The tracking portfolio cash flows "are a sequence of values over time that represent the efficacy by which the hedging porttblio hedges the model portfolio." Id. at ¶ [0053]. The

benchmark portfolio cash flows are "a series of cash flows that represents the client's desired financial objective in operating the client's portfolio." Id. at ¶ [0055]. The example disclosed in Woodley is that the client's financial objective "may be to achieve a set stream of cash flows from the plant despite the high variability and unpredictability of gas and electric prices." Id. Woodley does not disclose that the benchmark cash flows are predefined values in a contract. Rather, the client provides the benchmark cash flows to the financial institution. Id. Thus, in Woodley, a payment is made by the financial institution when the difference between the benchmark portfolio cash flows and the tracking portfolio cash flows is positive. Consequently, Woodley does not compare a strip value, that is determined based on an aggregation of option values, to a value specified in the contract to determine whether a payment is required.

Moreover, this is an unobvious difference. In the method of claim 1, the business entity uses the contract to hedge increases in the price of the first commodity relative to the second commodity. On the other hand, in the Woodley reference, the client already has a series of hedging transactions. See id. at ¶ [0050]. Thus, in the Woodley reference, the contract is effectively insurance against the client being improperly hedged through its hedging transactions. In contrast, in claim 1, the contract itself is the hedge on the price fluctuations of the commodities.

6. <u>EXAMINER'S RESPONSE:</u> The Examiner respectfully disagrees with Applicant's arguments. First, Woodley teaches the use of payment arrangements or agreement (prior to the actual calculation of a payment) between the financial

institution and the client which specifies the bands (upper and lower values) which determine when a payment is made [¶43-44] [¶56-57] [¶65-67] [Figure 5] [¶70-71] or defined level [¶57]) and strongly implies that the payment arrangement is contractual in nature ([¶71]). Dines et al. definitively discloses that the payment arrangements are between contracting parties ([column 2, lines 15-17]]. Second, as argued in the previous office action, the fact that a value is specified in a contract does not appear to affect the operation of the underlying apparatus (software) since there does not appear to be any method step performed by software which extracts information contained in the contract into the functional operation of the software performing the method steps. As such, it is unclear from the applicant's arguments why or how the terms of a contract would create an "unobvious difference" in the method of the claimed invention.

7. Therefore, in view of the above reasons, Examiner maintains rejections.

Conclusion

8. Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL.** See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Gregory Pollock whose telephone number is 571 270-1465. The examiner can normally be reached on 7:30 AM - 4 PM, Mon-Fri Eastern Time.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Chuck Kyle can be reached on 571 272-5233. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

GAP

09/17/2010

/Gregory Pollock/
Examiner, Art Unit 3695

Gregory A. Pollock

/Thu Thao Havan/
Primary Examiner, Art Unit 3695